

Market Comment | Idiosyncratic factors in EMs offset optimism on NAFTA

Global Financial Markets Unit
30 Aug 2018

- **Financial markets remained in a cautious mood awaiting fresh news on the negotiations between Canada and the US to renew NAFTA** after the bilateral US-Mexico agreement early this [week \(see\)](#). **Markets' attention was also focused on EMs: Argentina and Turkey in the spotlight.**
- **Cautious mood in European financial markets: core yields went down** - also dragged by lower-than-expected inflation data in Germany [\(see\)](#) - while the EUR depreciated from its one-month highest level. □ **The main European indices showed fall**, led by the banking sector. **Meanwhile, the Italian sovereign risk premium clearly underperformed other peripheral countries.** Recent developments in Turkey's financial markets and potential spillovers to some European assets could be weighing
- **The 10Y UST yield inched down** despite the release of strong consumer spending data, in line with expectations [\(see\)](#). Meanwhile, **US indices took a breather after the recent rally** which took major equity indices to their historical highest levels.
- Asian equity markets were dragged down by China, as the deadline for the announcement of a **next round of US tariffs on Chinese goods is approaching**, despite a new easing of fiscal stance announced by the Chinese authorities [\(see\)](#).
- **The pressure on EMs continued, led by Argentina and Turkey**, spreading the risk-off mood to other EM markets. Argentina's government had to seek the emergency release of \$50bn due to "lack of trust from the markets" [\(see\)](#) and increased the interest rate to 60% [\(see\)](#). In the same line, the Turkish lira resumed its downward trend and dropped sharply in response to the latest domestic developments. The stability of the USD at its recent lower bound and the ongoing upward trend in crude oil prices have not been enough to give any relief to EM currencies.

Table 1

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Debt markets (10Y, % changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
US (2 yr)	2.66	1.6	4.1	-1	24	
US	2.87	-1.8	4.0	-9	40	
GER (2 yr)	0.60	3.0	1.0	-3	1	
Germany	0.35	-5.8	0.7	-10	-18	
France	0.69	-4.3	1.5	-4	-13	
Spain	1.47	0.6	0.2	7	20	
Italy	3.21	8.6	12.3	49	112	
Portugal	1.92	1.7	11.3	18	-9	
Greece	4.38	15.2	19.2	42	27	
Japan (2 yr)	-0.11	0.2	0.7	0	2	
Japan	0.11	0.8	1.1	-5	6	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
Brazil	12.50	40.2	24.2	133	225	
Chile	4.46	1.5	0.9	-2	-6	
Colombia	6.85	2.0	5.5	-1	41	
Mexico	7.91	3.5	9.8	16	33	
Peru	5.11	0.0	0.6	-1	24	
Poland	3.15	2.8	3.4	-2	-16	
Russia	8.85	5.8	8.8	104	121	
Turkey	20.61	0.0	30.0	261	925	
India	7.93	1.4	5.3	16	55	
Indonesia	8.01	3.9	11.1	24	171	
Country risk (bps, changes in bps)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	35	1.5	0.8	6	5	
Italy	287	14.4	11.6	59	129	
Portugal	157	7.5	11.2	27	9	
Spain	112	6.4	9.0	17	-3	
2-yr sovereign spread vs Germany						
France	17	-0.6	-2.3	-3	1	
Italy	195	18.5	21.9	65	158	
Portugal	49	5.1	9.0	10	-1	
Spain	32	4.8	7.2	6	5	
Emerging Markets						
level	Daily	Weekly	Monthly	YTD		
5-yr sovereign CDS*						
Brazil	290	1.3	25	80	120	
Chile	53	0.4	1	5	4	
Colombia	109	0.0	-1	4	4	
Argentina	654	51.3	61	241	415	
Mexico	115	0.2	0	2	8	
Peru	79	-1.0	-1	3	7	
Poland	62	0.0	-1	1	14	
Russia	162	0.8	-1	30	44	
Turkey	511	20.9	35	193	347	
China	57	0.8	-2	-2	6	
India	89	0.0	0	0	20	
Indonesia	118	2.7	-1	8	33	
Risk indicators						
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD	
VIX	13	0.5	0	0	3	
VSTOXX	14	1.2	1	2	1	
EM CT volatility index	20	1.3	0	2	3	
Dollar/euro volatility	7	0.2	-1	1	0	
EM FX volatility index	12	0.0	0	2	4	
Credit spread (BAA)(change in bps)	190	1.6	1	7	13	
US bonds volatility index	49	0.8	0	3	0	
Inflation expectations (%)						
level	Daily	Weekly	Monthly	YTD		
US Inflation expectations (5Y5Y)	2.42	-	6	-3	10	
EZ Inflation expectations (5Y5Y)	1.72	-	1	-2	-2	
Ranking by CDS (bps)						
level	Daily	Weekly	Monthly	YTD		
US	51	0.3	-2	2	9	
EZ	94	1.2	4	12	55	
UK	66	-0.1	2	5	25	
Large Spanish	79	2.0	0	10	43	
Medium Spanish	91	1.2	-1	1	16	
Corporate by CDS (bps)						
level	Daily	Weekly	Monthly	YTD		
US Non-financial	159	0.3	-2	2	9	
EZ Non-financial	78	1.2	4	12	55	
UK Non-financial	100	0.4	-1	1	7	
Interbank markets (% changes in bps)						
level	Daily	Weekly	Monthly	YTD		
EONIA Index	-0.36	0	0	-1	1	
Euribor 3m	-0.32	0	0	0	1	
Libor 12m	-0.17	0	0	1	2	
Libor 3m	2.31	0	0	-3	62	
Libor 12m	2.83	0	3	1	73	
Stock markets (%)						
level	Daily	Weekly	Monthly	YTD		
Main indices						
S&P500	2,906	0.3	1.7	3.2	8	
Dow Jones	26,011	0.4	1.4	2.3	5	
Nikkei	22,870	0.1	2.0	1.4	0	
FTSE 100	7,215	-0.8	-0.6	-3.0	-2	
EuroStoxx 50	3,432	0.7	0.4	-2.7	-2	
IBEX	9,464	-1.1	-1.1	-4.3	-6	
DAK	12,492	-0.5	1.0	-2.4	-3	
CAC	5,480	0.4	1.1	-0.6	4	
MI8	20,520	-1.2	-0.4	-7.6	-6	
ASE Athens	740	-0.4	1.2	-2.8	-10	
MSCI Latam*	86,282	0.7	1.3	-1.7	1	
Ibovespa (Brazil)	77,219	-1.5	2.1	-2.5	-1	
Mexsto (Mexico)	49,449	-1.5	-0.6	-0.5	-1	
Merval (Argentina)	26,810	5.6	1.1	8.4	-14	
MSCI EM Europe*	5,397	0.6	2.5	0.5	0	
Poland	2,354	-1.8	1.3	-2.2	-4	
Mosx 10 (Russia)	4,243	-1.1	1.5	-3.4	3	
Ise 100 (Turkey)	93,281	0.0	3.4	-3.8	-21	
MSCI EM Asia*	695	0.3	2.0	0.1	-3	
Shanghai Com (China)	2,738	-1.1	0.5	-4.8	-18	
Jakarta Indonesia)	6,019	-0.4	1.3	-0.1	-5	
Financial sector						
level	Daily	Weekly	Monthly	YTD		
US banks						
JPM	148.3	0.6	1.2	0.9	0	
JPM	115.6	-0.1	0.7	0.6	7	
Cit	71.8	-1.0	1.4	-0.2	-3	
BofA	31.1	0.2	0.8	0.6	4	
MS	49.4	-1.1	2.6	-2.3	-5	
GS	239.0	-1.0	1.3	0.7	-7	
EZ banks						
BBVA	86.6	1.2	-1.4	9.6	-21	
BNP	51.4	-1.3	-1.3	-7.8	-17	
Credit Agricole	11.9	-0.8	-1.1	-1.1	-15	
Deutsche Bank	9.8	-1.6	-0.3	-12.3	-28	
ING	11.8	-1.1	-1.1	9.8	-23	
Intesa	2.2	-2.1	-1.7	-17.9	-21	
SIF	35.6	-1.2	-1.0	-6.6	-18	
Unicredit	12.6	-0.7	-3.7	-16.6	-20	
UK banks						
HSBC	81.3	-1.2	-1.6	-6.2	-12	
RSCG	674.8	-1.5	-1.9	-7.6	-12	
RBS	243.5	-0.8	-0.4	-4.7	-12	
Barclays	178.7	-1.5	-2.4	-7.9	-12	
Lloyds	60.1	0.7	-1.2	-3.7	-11	
Large Spanish banks						
Santander	65.4	2.3	2.1	12.9	-23	
Caixa	4.3	-1.9	-1.7	-11.2	-22	
BBVA	5.4	-2.7	-2.5	-14.3	-24	
Medium Spanish banks						
CaixaBank	69.5	-1.0	0.5	-4.0	-9	
Sabadell	3.9	-1.2	0.2	-1.4	-2	
Santitas	1.3	-0.8	0.7	-5.8	-20	
Bankinter	7.8	-0.9	1.1	-6.2	-3	
Banco	3.3	-1.8	1.2	-2.0	-18	
Currencies (% net for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD						
EURUSD	1.165	0.5	0.9	0.4	-3	
GBPUSD	1.30	0.2	1.4	-1.0	-4	
USDJPY	111.16	0.5	0.1	0.6	1	
DX1Y	94.82	0.2	-0.9	0.3	-3	
Emerging						
level	Daily	Weekly	Monthly	YTD		
USDARS (Argentina)						
USDARS (Brazil)	40.19	-18.3	-32.0	-46.5	-118	
USDCLP (Chile)	4.21	2.4	2.2	11.9	-29	
USDCOP (Colombia)	679.46	2.0	1.7	6.7	-12	
USDMXN (Mexico)	302.7	-0.9	-1.3	-4.8	-3	
USDNIN (Poland)	19.18	-1.2	0.9	-2.9	2	
USDPEN (Peru)	3.31	0.5	0.1	1.1	-2	
LACI	53.40	-3.4	-4.2	-9.1	-16	
USDPLN (Poland)	3.69	-0.7	0.7	-0.9	-7	
USDINR (India)	68.26	0.3	0.0	9.2	-19	
USDTRY (Turkey)	6.73	-4.0	-9.9	-36.9	-79	
USD CNY (China)	6.84	0.3	0.5	-0.4	-5	
USDIDR (Indonesia)	70.74	-0.2	-0.9	-3.2	-11	
USDIDR (Indonesia)	14,680	-0.2	-0.3	-1.8	-9	
ADXY	105.0	0.3	0.2	0.8	-5	
Commodities (%)						
level	Daily	Weekly	Monthly	YTD		
Brent						
Brent	77.4	0.4	3.6	4	16	
WTX	70	0.4	2.8	1	16	
Copper	268	-0.9	1.2	-5	-18	
Gold	1199	-0.6	1.2	-2	9	
S&P Spot commodity*	468	1.0	1.9	1	6	
S&P Brent Spot*	659	1.5	3.2	4	16	
S&P Metals Spot*	348	0.0	2.7	-1	-12	
S&P Agricultural*	283	1.1	0.4	-4	-1	

* With one day delay
Source: Bloomberg, Datastream and Haver

Fuente: BBVA Research

Debt markets (10Y % changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US 10-yr	2.66	1.8	4.1	-1	74
US	2.87	1.8	4.0	-9	40
GER 10-yr	-0.60	-3.0	-1.0	-3	1
Germany	0.35	-5.8	0.7	-10	-18
France	0.69	4.3	1.5	-4	-13
Spain	1.47	0.6	9.7	7	-20
Italy	3.21	8.6	12.3	49	112
Portugal	1.92	1.7	11.9	18	-9
Greece	4.38	15.7	19.2	42	27
Japan (2-yr)	-0.11	0.2	0.7	0	2
Japan	0.11	0.8	1.1	5	6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	12.50	40.2	24.2	133	225
Chile	4.46	1.5	0.0	-8	-5
Colombia	6.85	2.0	5.5	-1	41
Mexico	7.91	3.5	9.9	16	33
Peru	5.11	0.0	0.6	-1	24
Poland	3.15	-2.8	-3.4	-2	-16
Russia	8.85	5.8	8.8	104	121
Turkey	29.61	0.0	39.0	261	925
India	7.93	1.4	5.3	16	55
Indonesia	8.01	5.0	11.1	24	121
Country risk (bp, changes in bp)	level	Daily	Weekly	Monthly	YTD
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	1.5	0.8	6	5
Italy	287	14.4	11.6	59	129
Portugal	157	7.5	11.2	27	9
Spain	112	6.4	9.0	17	-3
2-yr sovereign spread vs Germany					
France	17	0.6	-2.3	-3	1
Italy	195	18.5	21.9	65	158
Portugal	49	5.1	9.0	10	-1
Spain	32	4.8	7.2	6	5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	290	1.3	25	80	129
Chile	53	0.4	1	5	4
Colombia	169	0.0	-1	4	-4
Argentina	654	51.3	61	241	415
Mexico	115	-0.2	0	2	8
Peru	79	-1.0	-1	3	7
Poland	62	0.0	-1	1	14
Russia	162	0.8	-1	30	44
Turkey	511	20.9	35	193	347
China	57	0.9	-2	-2	6
India	89	0.0	0	0	20
Indonesia	118	2.7	-1	8	33
Risk indicators	level	Daily	Weekly	Monthly	YTD
Volatility indicators (change in bp)					
VIX	13	0.5	0	0	3
VST OYX	14	1.2	1	2	1
EM EFT volatility index	20	1.3	0	2	3
Dollar/euro volatility	7	0.2	-1	1	0
EM FX volatility index	12	0.0	0	2	4
Credit stress (BAA) (change in bp)	190	1.8	1	7	13
US bonds volatility index	49	-0.8	0	3	0
Inflation expectations (%)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y)	2.42	-	6	-3	10
EZ Inflation expectations (5Y)	1.72	-	1	-2	-2
Banking S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	51	0.3	-2	2	9
EZ	94	1.2	4	12	55
UK	66	-0.1	2	5	25
Large Spanish	79	2.0	0	10	43
Medium Spanish	91	1.2	-1	1	16
Corporate S&P CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	159	0.3	-2	2	9
EZ Non-financial	78	1.2	4	12	55
UK Non-financial	100	0.4	-1	1	7
Interbank markets (% changes in bp)	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	-1	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.17	0	0	1	2
Libor 3m	2.31	0	0	3	62
Libor 12m	2.83	0	3	1	73
Stock markets (%)	level	Daily	Weekly	Monthly	YTD
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,906	0.3	1.7	3.2	8
Dow Jones	26,011	0.4	1.4	2.3	5
Nikkei	22,870	0.1	2.0	1.4	0
FTSE 100	7,515	0.6	0.6	3.0	-2
Euro Stoxx 50	3,432	0.7	0.4	-2.7	-2
IBEX	9,464	-1.1	-1.1	-4.1	-6
DAX	12,493	-0.5	1.0	-2.4	-3
CAC	5,480	-0.4	1.3	-0.6	-4
MB	20,520	-1.2	-0.4	-7.6	-5
ASE Athens *	740	0.4	1.2	-2.8	-10
MSCI Latin *	86,282	0.7	1.3	-1.7	-1
Ibovespa (Brazil)	77,218	-1.5	2.1	-2.5	1
Mexbol (Mexico)	49,449	-1.5	-0.6	-0.5	-1
Mercol (Argentina)	26,816	5.6	1.1	8.4	-14
MSCI EM Europe *	5,397	0.6	2.5	0.5	0
Poland	2,354	-1.1	1.3	2.2	-4
Mosx 10 (Russia)	4,243	-1.1	1.5	-3.4	-3
Isx 100 (Turkey)	93,281	0.0	3.4	-3.8	-21
MSCI EM Asia *	895	0.3	2.0	0.1	-3
Shanghai Com (China)	2,738	-1.1	0.5	-4.8	-18
Jakarta (Indonesia)	6,919	-0.4	1.3	-0.1	-5
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	148.3	0.6	1.2	0.0	0
WFC	115.6	-0.1	0.7	0.6	-7
CS	71.8	-1.0	1.4	-0.2	-3
BoA	31.1	-0.2	0.8	0.6	4
MS	49.4	-1.1	2.6	-2.3	-5
GS	239.0	-1.0	1.1	0.7	-7
EZ banks					
BNP	86.6	-1.2	-1.4	-9.6	-21
BBVA	51.4	-1.3	-1.2	-7.8	-17
Credit Agricole	11.9	-0.8	-1.1	-1.1	-15
Deutsche Bank	9.8	-1.6	-0.3	-12.3	-38
ING	11.8	-1.1	-1.1	-9.8	-23
Intesa	2.2	-2.1	-1.2	-12.9	-21
SG	35.6	-1.2	-1.0	-6.6	-18
Unicredit	12.6	-0.7	3.7	16.6	20
UK banks					
HSBC	81.3	-1.2	-1.6	-6.2	-12
HSBC	674.8	-1.5	-1.9	-7.6	-12
RBS	243.5	-0.8	-0.4	-4.7	-12
Barclays	178.7	-1.5	2.4	-7.9	-12
Lloyds	60.1	-0.7	-1.2	-3.7	-11
Large Spanish banks					
Santander	65.4	-2.3	-2.1	-12.9	-23
BBVA	4.3	-1.9	-1.7	-11.2	-22
CaixaBank	5.4	-2.7	-2.5	-14.3	-24
Medium Spanish banks					
Sabadell	69.5	-1.0	0.5	-4.0	-9
CaixaBank	2.9	-1.2	0.2	-1.4	-3
Sabadell	1.3	-0.8	-0.7	-5.8	-20
Bankinter	7.8	-0.9	1.1	-6.2	-3
Bankia	3.3	-1.0	1.2	-3.0	-18
Currencies (% rd for currency depreciation)	level	Daily	Weekly	Monthly	YTD
Developed					
EURUSD	1.165	0.5	0.9	0.4	-3
GBPUSD	1.30	0.2	1.4	-1.0	-4
USDJPY	111.16	0.5	0.1	0.6	1
DXF	94.82	0.2	0.0	0.3	-3
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	40.19	18.3	32.0	46.5	118
USDBRL (Brazil)	4.21	2.4	2.2	11.9	29
USDCLP (Chile)	676.46	2.0	-1.7	-6.7	-12
USDCOP (Colombia)	3027	0.9	-1.3	-4.8	-3
USDMXN (Mexico)	19.18	-1.2	-0.9	-2.9	2
USDPEN (Peru)	3.31	-0.5	0.1	-1.1	-2
IACT	53.40	-3.4	-4.2	-9.1	-16
USDPLN (Poland)	3.69	0.7	0.7	0.9	-7
USD RUB (Russia)	68.26	-0.3	0.0	9.2	-19
USDTRY (Turkey)	6.73	-4.0	-8.9	-36.9	-79
USD CNY (China)	6.84	-0.3	0.5	-0.4	-5
USD INR (India)	70.74	-0.2	0.9	-3.2	-11
USD IDR (Indonesia)	14,600	0.2	-0.3	-1.8	-9
ADXY	105.0	0.3	0.2	-0.8	-5
Commodities (%)	level	Daily	Weekly	Monthly	YTD
Brent					
Brent	77.4	0.4	3.6	-4	16
Copper	70	0.4	2.8	1	16
Copper	2.68	0.9	1.2	-5	-18
Gold	1199	-0.6	1.2	-2	-9
S&P Spot commodity *	468	1.0	1.9	1	6
S&P Brent Spot *	659	1.5	3.2	-4	16
S&P Metals Spot *	348	0.0	2.7	1	12
S&P Agricultural *	283	1.1	0.4	-4	-1

* With one day delay
Source: Bloomberg, Datastream and Haver

Fuente: BBVA Research

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